

TAX INFORMATION BULLETIN



Publication 388
September 2016
www.boe.ca.gov

Sales and Use Tax Rate Changes Effective October 1, 2016

It's important for businesses to know the latest tax rate in a specific area so you can collect the correct rate. When a tax rate changes, the California State Board of Equalization (BOE) notifies retailers by providing information in a [Special Notice](#). Businesses can [sign up](#) to receive the email notifications from the BOE, or [sign up](#) to get the latest news and updates at www.boe.ca.gov.

New sales and use tax rates are taking effect on October 1, 2016, as a result of voter-approved initiatives in several cities. The tax rate changes listed below apply only within the indicated city limits. To find the correct tax rate for your area or business location, visit www.boe.ca.gov, click the light blue *Find a SALES TAX RATE by Address* button, and enter the address as prompted.

(Please note: The new rates will not be available on this website until October 1, 2016.)

NEW DISTRICT TAXES				
City	New Code	Acronym	Prior Rate	New Rate
City of Compton (located in Los Angeles County)	449	COMG	9.00%	10.00%
City of Corning (located in Tehama County)	446	CORG	7.50%	8.00%
City of Isleton (located in Sacramento County)	443	ISLS	8.00%	8.50%
City of Marysville (located in Yuba County)	447	MARG	7.50%	8.50%
City of San Jose (located in Santa Clara County)	445	SJGT	8.75%	9.00%
CURRENT DISTRICT TAXES EXTENDED				
City	Code	Acronym	Tax Rate	Expiration Date
City of Pittsburg (located in Contra Costa County) ¹	288	PPTG	9.00%	6-30-35

¹ The 0.50% rate was scheduled to decrease to 0.25% on 10-1-17 and expire 9-30-22. The rate will now remain at 0.50% until 6-30-2035.

What if I am not receiving the notifications?

The BOE sends notifications to all active sales and use tax accounts in the counties where the rate changes take place and to all vehicle dealer and leasing accounts in California by either email or postcard (if the email address on file is not valid or returns "undeliverable"). To ensure you receive the notice when the rates change, make sure your email and street mailing addresses are correct on your account. Contact the BOE at www.boe.ca.gov/info/email.html to correct the current email and/or business mailing address on your account, or add a new email address.

New Sales Tax Rate Service Available to Retailers

Through the BOE's Geographic Information System (GIS), a new service allows **retailers** with Point of Sale systems (or other similar systems) to accurately determine the sales and use tax rates. This new feature provides the sales and use tax rate based upon the address or coordinates submitted. To access this service, visit <http://services.gis.boe.ca.gov/api/taxrates/Rates.svc>.

Sales Taxes and Excise Taxes on Fuel

By March 1 of each year, the BOE is required to establish the sales tax prepayment and excise tax rates on fuels that will be in effect from July 1 through June 30 of the following year. Generally, new prepayment rates take effect July 1. The rates vary depending on the type of fuel involved and may be adjusted during the year, if necessary.

Sales tax prepayment rates—Effective July 1, 2016

The sales tax prepayment rate for diesel fuel and jet fuel decreased:

- Diesel fuel rate dropped to \$0.17 per gallon (from \$0.225 per gallon)
- Jet fuel rate dropped to \$0.07 per gallon (from \$0.115 per gallon)

The above rates are in effect from July 1, 2016, through June 30, 2017.

BOARD MEMBERS

SEN. GEORGE RUNNER (RET)
First District
Lancaster

FIONA MA, CPA
Second District
San Francisco

JEROME E. HORTON
Third District
Los Angeles County

DIANE L. HARKEY
Fourth District
Orange County

BETTY T. YEE
State Controller

EXECUTIVE DIRECTOR
DAVID J. GAU

Excise tax rates—Effective July 1, 2016

- Gasoline excise tax rate dropped to \$0.278 per gallon (from \$0.30 per gallon)
- Diesel fuel excise tax rate increased to \$0.16 per gallon (from \$0.13 per gallon)

The above rates will be in effect from July 1, 2016, through June 30, 2017.

For additional information concerning tax rates, select [Taxes and Fees—Special Taxes and Fees—Tax and Fee Rates](#), or [Taxes and Fees—Sales and Use Tax—City and County Tax Rates](#) on the BOE website at www.boe.ca.gov, or call the BOE Customer Service Center at 1-800-400-7115 (TTY:711).

2016 Taxpayers' Bill of Rights Hearings

A number of taxpayers and tax practitioners brought suggestions and concerns to the Board Members at the BOE's annual Taxpayers' Bill of Rights Hearings, held in Culver City in April and in Sacramento in May.

Archived webcasts of the hearings may be accessed through the BOE website via the [Board Meeting Archive](#) webpage. You may also read responses to the presenters prepared by the Taxpayers' Rights Advocate and posted to the [2016 presenters](#) area of the Taxpayers' Bill of Rights webpage. The responses summarize the issues presented and explain how the BOE is working to address the concerns and suggestions.

Please visit the BOE [Taxpayers' Bill of Rights Hearings](#) webpage to learn more about the hearings and find out how you can be notified when the 2017 hearing dates are scheduled.

Mobile Food Vendors

Mobile food vendors include those who operate food trucks, stands, or carts that do not have a fixed physical location. If you are a mobile food vendor you are generally required to register with the BOE, file sales and use tax returns, and maintain books and records that are adequate for sales and use tax purposes.

You can register electronically for a seller's permit using the BOE's online registration system, available at www.boe.ca.gov/electsrv/esrvcont.htm.

The location where you make your sales is important because tax applies to each sale at the rate in effect at the location where the sale is made. The BOE website has an up-to-date listing of sales and use tax rates. Go to the *Popular Topics* column on the BOE homepage at www.boe.ca.gov, and select *Latest Sales and Use Tax Rates*, or find the tax rate at a specific location, and select the *Find a SALES TAX RATE by Address* button. For more details, refer to [Regulation 1603, Taxable Sales of Food Products, publication 287, Mobile Food Vendors](#), the *Tax Guide for Caterers* link at www.boe.ca.gov/industry/caterers.html, or contact the BOE Customer Service Center at 1-800-400-7115 (TTY:711).

Diesel Fuel Tax Program

Sales of dyed diesel fuel and notification requirements for sellers

Sellers of dyed diesel fuel, whether at a retail gas station or at a commercial cardlock, are required to provide notice on all retail pumps where the fuel is dispensed. The notice should state: **"Dyed diesel fuel, Nontaxable use only, Penalty for taxable use."**

The notice should be affixed to the pump, either on the face or on the side of the pump just above the nozzle housing, so that it is within easy sight of the person dispensing the dyed diesel fuel, prior to that person dispensing the fuel into the tank of the vehicle. If dyed fuel is dispensed from both sides of the pump, the notice should be affixed to each side of the fuel pump.

For sales *other than from a retail pump*, the dyed diesel fuel notice is required to be included on:

- Shipping papers,
- Bills of lading, *and*
- Invoices accompanying the sale or removal of dyed diesel fuel.

Any seller that fails to post or provide the required notice on any applicable retail pump or sales document is presumed to know that the fuel will be used for a taxable use and may be required to pay the diesel fuel tax and assessed a penalty on every gallon of diesel fuel involved.

For more information, refer to [BOE-32A, Special Notice: Dyed Diesel Fuel Notification Requirements](#).



Using dyed diesel fuel on California roads or highways

Using dyed diesel fuel to power vehicles on California roads and highways is not permitted unless you are:

- Authorized to do so by federal and state law, *and*
- Licensed by the BOE.

The penalty for unauthorized use of dyed diesel fuel on California roads and highways is generally imposed against the vehicle owner.

Dyed diesel fuel penalties

A penalty applies to any person who:

- Sells dyed diesel fuel for any use that is considered a taxable use of the diesel fuel, except when the purchaser is authorized by federal and state law to use dyed diesel on California highways. To learn more about this exception, view our *Diesel Fuel FAQs* at www.boe.ca.gov/sptaxprog/diesel_fuel_faq.htm.
- Uses dyed diesel fuel for a taxable use with the knowledge that the diesel fuel was so dyed.
- Knowingly alters, or attempts to alter, the strength or composition of any dye or marker in dyed diesel fuel.
- Fails to provide or post the required notice with respect to sales of dyed diesel fuel. The failure to provide or post the required notice creates a presumption that the diesel fuel will be used for a taxable use.

The penalty for each violation is \$10 for every gallon of dyed diesel fuel involved, or \$1,000, whichever is greater. If you were previously penalized for using dyed diesel fuel in a highway vehicle, the \$1,000 penalty will be multiplied by the total number of violations, including the current one. The BOE will notify the Internal Revenue Service (IRS), and the IRS may assess additional penalties under federal law.

For more information pertaining to dyed diesel fuel, visit www.boe.ca.gov/sptaxprog/diesel_fuel_tax.htm.

Can I legally use dyed diesel fuel in exempt bus operations in California?

Certain licensed exempt bus operators may use dyed diesel fuel to operate their buses on California highways. Dyed diesel fuel is intended for off-highway use. On-highway use is not permitted unless you are authorized by the Internal Revenue Code or IRS regulations, and licensed by the BOE. Only California government entities licensed under the California Diesel Fuel Tax Law as an exempt bus operator or government entity are authorized to use dyed diesel fuel on the highway. Dyed diesel fuel may only be used on the highway in exempt bus operations performed by state or local entities (government entities); generally this applies mainly to school districts. You can apply for an Exempt Bus Operator License on the BOE website at www.boe.ca.gov, and click on the *New Registration* button.

For more information, visit the BOE website at www.boe.ca.gov, or call the Motor Carrier Office at 1-916-373-3030.

Diesel Fuel Tax Regulation 1432, *Other Nontaxable Uses of Diesel Fuel in a Motor Vehicle*

The BOE recently approved a revision to [Regulation 1432, *Other Nontaxable Uses of Diesel Fuel in a Motor Vehicle*](#), simplifying the process for claiming a refund on nontaxable uses of diesel fuel. The revised regulation is effective June 21, 2016, for claim periods beginning April 1, 2016. For further information, see the BOE's July 2016 [Special Notice, Revision to Regulation 1432, *Other Nontaxable Uses of Diesel Fuel in a Motor Vehicle*](#).

Use Fuel Tax Program

Are you a use fuel vendor?

If you sell alternative fuels other than gasoline or diesel, you may be a "use fuel" vendor. You are considered a use fuel vendor if you sell any of the following alternative fuels and place them into the fuel tank of a motor vehicle:

- Alcohol fuel (ethanol, methanol, and blended alcohol fuel with less than 15 percent gasoline, for example, E85)
- Liquefied petroleum gas (LPG)
- Liquid natural gas (LNG)
- Compressed natural gas (CNG)

In addition to a regular sales and use tax permit, you must obtain a vendor use fuel tax permit and file returns with the BOE if you sell any of the alternative fuels listed above, such as E85 to a consumer from a retail location. As a vendor, you are required to collect and remit to the BOE the use fuel tax on the full volume of alternative fuel sold or dispensed from a retail pump. For the BOE's use fuel tax rates, see the [Tax Rates—Special Taxes and Fees](#) page.

More information is available for use fuel vendors and users in [publication 12, *California Use Fuel Tax*](#).

You may download a copy from the BOE website at www.boe.ca.gov/pdf/pub12.pdf. You may also call the BOE Customer Service Center at 1-800-400-7115 (TTY:711) and ask them to mail you a copy.



Cigarette and Tobacco Products License Fee Increase

On June 9, 2016, the Cigarette and Tobacco Products License application fee increased for retailers, wholesalers, and distributors; and the reinstatement fee was eliminated for retailers. Beginning January 1, 2017, retailers will be required to pay an annual renewal fee and the annual renewal fee for wholesalers and distributors will increase. The new fee amounts are shown below.

License Type	Fees for January 1, 2008 through June 8, 2016	Fees for June 9, 2016 through December 31, 2016	Fees Effective On or After January 1, 2017
Retailer (Application Fee)	\$100 per location	\$265 per location	\$265 per location
Retailer (Renewal Fee)	None	None	\$265 per location per year
Retailer License Reinstatement Fee	\$100 per location	N/A	N/A
Wholesaler/Distributor (Application/Renewal Fee)	\$1,000 per location per year	\$1,200 per location per year	\$1,200 per location per year

For more information on cigarette and tobacco products licensing, visit the BOE's [Cigarette and Tobacco Products Licensing](#) webpage.

Expanded definition of a “tobacco product” requires licensing for retail sellers!

The definition of a tobacco product per Business and Profession Code (BPC) section [22950.5\(d\)](#) has expanded for retail licensing purposes. Although the products listed below are currently not subject to a tax imposed by the Cigarette and Tobacco Products Tax Law, you will need a retailer license to sell them effective January 1, 2017. A \$265 fee payment for each location must be submitted with each new retailer license application and annual renewal application for the retail sale or distribution of these types of products. If you already possess a valid Cigarette and Tobacco Products Retailer License issued pursuant to BPC section [22972](#), you may sell these types of products under your existing license and will not need to obtain an additional retailer license:

1. Any product containing, made, or derived from nicotine that is intended for human consumption.
2. Any electronic smoking or vaping device that delivers nicotine or other vaporized liquids.
3. Any component, part, or accessory of a tobacco product, whether or not sold separately.

Examples include, but are not limited to, e-cigarettes, atomizers, vaping tanks or mods, and e-liquid or e-juice.

A tobacco product does not include products that the U.S. Food & Drug Administration has approved as cessation products or for other therapeutic purposes (for example, nicotine patches).

For more information on the legislation creating the changes to the definition of tobacco products for retail licensing purposes, download [Senate Bill x2-5](#) (Stats. 2016, Ch. 7) and [Assembly Bill x2-11](#) (Stats. 2016, Ch. 6) at www.leginfo.ca.gov/bilinfo.html.

For More Information

All telephone numbers are toll-free.

Internet

www.boe.ca.gov
www.taxes.ca.gov

Customer Service Center

1-800-400-7115 (TTY:711)

Seller's Permit Verification

1-888-225-5263
www.boe.ca.gov

Taxpayers' Rights Advocate

1-888-324-2798
www.boe.ca.gov

Tax Evasion Hotline

1-888-334-3300

State Legislation

www.legislature.ca.gov

California State
Board of Equalization
PO Box 942879
Sacramento, CA 94279-0001